

Medicare Prescription Drug, Improvement, and Modernization Act of 2003 **STATE PHARMACY ASSISTANCE PROGRAMS (SPAPs)**

Under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, State Pharmacy Assistance Programs (SPAPs) will see substantial savings when the drug benefit becomes available to Medicare beneficiaries in 2006. In addition, SPAPs are likely to see savings from the transitional assistance program included with the Medicare-endorsed drug discount card.

State Pharmacy Assistance Programs will see substantial savings when the drug benefit becomes available to Medicare beneficiaries.

SPAPs currently provide funding for prescription drugs to citizens of their states, a vast majority of whom are seniors and disabled individuals. Individuals covered by SPAPs may not have any other drug coverage and may not qualify for Medicaid. Approximately 20 states operate a SPAP and fund them entirely without Federal dollars, spending nearly \$2 billion a year of state funds. Some of these provide significant subsidies, while others provide drug discounts only.

Benefits to SPAPs from the Drug Benefit

Medicare beneficiaries of all income levels will have access to a Federally subsidized drug benefit. Amounts SPAPs are currently spending on those beneficiaries for drugs covered by the new Medicare drug benefit will be paid by the Federal Government.

In addition to the subsidized benefit that all seniors receive, low-income seniors will receive substantial subsidies to pay their drug costs, and SPAPs will be relieved of significant prescription drug costs they are currently paying for low-income seniors.

- The seniors most in need -- those with incomes below 100% of the Federal Poverty Level (FPL) who are eligible for full benefits under Medicaid -- would pay no premiums, no deductibles, and would only pay nominal cost-sharing of \$1 for a generic drug or a preferred multiple source drug and \$3 for all other drugs.
- The second low-income group of seniors—all other seniors who are eligible for full benefits under Medicaid, as well as other seniors with incomes below 135% of the Federal Poverty Level (FPL) and assets of no more than \$ 6,000 per individual and \$9,000 per couple -- would pay no premiums, no deductibles, and would be responsible for cost-sharing of \$2 for a generic drug or a preferred multiple source drug and \$5 for any other drug.
- A third low-income group -- those with incomes below 150% FPL and assets of no more than \$10,000 per individual and \$20,000 per couple -- would get sliding

scale subsidies for their premiums, and pay both a lower deductible and lower cost-sharing compared to the standard benefit.

If a state chooses to continue its SPAP, it will play an important role in providing prescription drug coverage for the residents of the State. The SPAP could, at state option, provide supplemental prescription drug coverage to the new Medicare Part D benefit for those drug costs not covered by Medicare.

- A state with an SPAP can supplement Medicare beneficiaries' drug coverage by purchasing such additional benefits from any qualifying Medicare prescription drug plan, or providing its own state supplemental benefit program.
- SPAP contributions to beneficiaries' cost sharing will count toward the Part D out-of-pocket limit for catastrophic coverage.

Benefits to SPAPs from the Medicare-endorsed Prescription Drug Discount Card

The Medicare-Endorsed Prescription Drug Discount Card and Transitional Assistance Program will offer Medicare beneficiaries (other than those also eligible for Medicaid) an interim solution to their high prescription drug costs. Starting six months after enactment, the card will provide discounts of 10-25% off the retail price of most drugs for an annual fee of up to \$30.

The federal government will pay enrollment fees for beneficiaries with incomes below 135 percent of the federal poverty line (\$12,123 for individuals; \$16,232 for couples) and these low-income beneficiaries will receive a \$600 annual subsidy to assist in paying their drug costs. Low-income beneficiaries will only be required to pay a 5% or 10% coinsurance on their prescriptions depending on income.

SPAPs will be able to coordinate their programs with the Medicare-endorsed discount cards offered in their states. SPAPs will have the option to:

- Educate low-income beneficiaries about the \$600 in transitional assistance provided by the Medicare endorsed drug card. Medicare beneficiaries can be enrolled in both the Medicare discount card program and a SPAP, and can be encouraged to utilize the Medicare endorsed card with the subsidy first.
- Pay low-income beneficiaries' coinsurance through the SPAP.
- Cover the enrollment fee for low-income beneficiaries with incomes above 135% FPL. (The enrollment fee for individuals below 135% FPL is paid by the Federal government.)

State Pharmacy Programs

<u>Pharmacy Plus Medicaid Waivers</u>	State-Only Funding with Subsidies Up to 150% FPL *	State-Only Funding with Subsidies Above 150% FPL **	States with Discount Programs Only ***
Florida Illinois South Carolina Wisconsin 1115 Pharmacy-only Waivers: Maryland Vermont	Indiana Kansas Minnesota Wyoming	Connecticut Delaware D.C. Maine Maryland Massachusetts Michigan Missouri Nevada New Jersey New York North Carolina Pennsylvania Rhode Island Vermont Wisconsin	California New Hampshire Iowa Ohio West Virginia

Notes: Some states with subsidy programs also have discount programs. The benefits vary tremendously within groupings.

Source: National Conference of State Legislatures, November 2003

* Not Operational or Postponed Subsidy Programs: Arkansas, Louisiana, Tennessee, and Texas

** Not Operational or Postponed Subsidy Programs: Arizona, New Mexico, and Oregon

*** Not Operational or Postponed Discount Only Programs: Hawaii, Montana, South Dakota